

OFFICIAL DISPATCH

VIA: _____
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DISPATCH NO: MGKA-12374

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CLASSIFICATION

DATE: 23 November 1949

TO : Chief, Foreign Branch "M"

FROM : Chief of Station, Karlsruhe *a/pes*

SUBJECT: GENERAL — Operational

SPECIFIC — Progress Report — *C* *J*/KIBITZ

DOCUMENT NO. _____

NO CHANGE IN CLASS. *✓*

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CLASS. CHANGED TO: TS S *C 0011*

REVIEW DATE: _____

5/5/81 REVIEWER: *()*

1. We have been keeping normal contact with *C* *1*, both for his KIBITZ work as well as to keep informed regarding his own business which, if it continues toward success, will provide complete rehabilitation for him and make up for his losses in having to give up his East Zone factory interests.

2. His latest brief regarding KIBITZ work is to ask his three unit members, KIBITZ 8, 9, and 11 (see MGKA-11643) to begin considerations for their associates to round out individual working cells, consisting of intelligence experts, radio operators, and security cover. As a measure of security, the details of this next stage including identity of new recruits is to be withheld from *C* *1*. He understands this, and is presently on the circuit to get this phase of the operation under way. *C* *1* is scheduled to make a round of the circuit on 28 November and will continue to pursue the sub-echelon recruiting. After it is accomplished, *C* *1* will again act as agent of this net, cut out from the operating echelons by KIBITZ 8, 11 and 9.

3. Work on the new factory in Schluchtern approximates 50% completion. In this new building of 500 quad meters he is to have the use of 250 quad meters and a ~~lace~~ factory will have the other half. This 250 quad meters will be sufficient to house the six knitting machines now on the way plus the six machines the city is financing. However, as with all deals such as this, there is a tremendous financial burden during the transition periods and we are afraid *C* *1* might founder while having to pay dual rents and salaries during the set up period while only the little old factory is in production. As it is the currency reform has presented him with a new demand of DM 17,000 which, for the moment is being guaranteed by the bank on his promissory note, payment of which somehow depends on the bank's financial condition at fiscal auditing. If the bank's condition on outstanding loans is favorable with their statute limitations, he will probably not have to pay the note until he has the machines in operation. However, with all the delays in getting this machinery there is a good chance that he will have to dig up the money from other sources and we can expect to be asked for a loan to cover this note. However, the risk

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EXEMPTIONS Section 3(b)

(2)(A) Privacy ☐

(2)(B) Methods/Sources ☒

(2)(G) Foreign Relations ☒

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on our part should not be too great inasmuch as he has over \$1,000 in his holding account with us. In any event, it would be a terrific setback to him if the first machinery shipment fell through because it is on the basis of these first six machines that the city of Schluchtern is building him the new factory and financing the next six machines.

4. He had word from his mother that all was not well in Zwickau, so he flew to Berlin (at his own expense) for a meeting with her. From her he learned that she had been called in and questioned about him. However, most of the questioning seemed to concern his dealings with the old Zwickau factory and if he had removed any machinery for his West Zone plant. And from the obstacles being put in the mother's way, such as lack of materials so that the factory can barely keep running, it looks more as though they are preparing the ground for taking over another factory which under poor private management is standing idle half the time.

5. The US members of the Interzonal Travel Board seem to have finally satisfied themselves regarding [] When his old Interzonal travel permit expired last winter he was required by regulation to turn it in, with or without request for renewal. After much consideration it was decided to submit it for renewal through normal channels as a test of the East Zone travel control board's action on him. Instead, there followed questionnaires and requests by the US Travel Control desk for further information and finally, after more than six months deliberation, they gave their approval and presented it for East Zone consideration. The dates on the renewals indicate the East Zone counterparts gave their approval after only six weeks delay. Of further interest is the fact that this pass book contains almost as many of our own stampings as the official recordings of boarder crossings. However, [] does not plan to use the pass - it does not seem reasonable that the East Zone travel authorities would, without ulterior motive, so readily stamp approval on a pass book that shows its two years of hard usage.

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